COMMISSIONER

December 29, 1999

MEMORANDUM FOR TREASURY INSPECTOR GENERAL
FOR TAX ADMINISTRATION

FROM: Charles O. Rossotti
               Commissioner of Internal Revenue

SUBJECT: Management Response to Draft Audit Report --
               The Service Center Mainframe Consolidation Project
               Has Made Significant Progress, But Project
               Execution and Administration Risks Remain

The Service Center Mainframe Consolidation (SCMC) Project, consolidation of mainframe tax processing from ten service centers into two computing centers, is one of the Internal Revenue Service's (IRS) major initiatives. It is one of four critical projects monitored at the monthly Combined Management Program for Century Date Change and Filing Season Executive Steering Committee meetings, which I chair.

The Information Systems (IS) and Procurement organizations have completed their review of the subject draft audit report. The attached management response outlines the status of actions being taken to mitigate risks during further consolidations, and to improve controls over contract administration and budget accounting. I would like to point out that we recently completed the consolidation of two additional service centers with minimal problems, none of which caused completion delays or resulted in any post consolidation processing delays. I believe that these most recent successes are attributable, in part, to the specific actions we have taken to mitigate overall risks.

Regarding the disclosure of the final and public version of the report, IS has requested that various references to specific IRS sites, names of IRS IS systems and dates be edited-out.

If you have any questions, please call Paul Cosgrave, Chief Information Officer, at (202) 622-6800, or have a member of your staff call Dave Junkins, Director, Office of Information Resources Management, at (202) 283-4060, or Barry Herrmann, Chief, Office of IS Program Oversight, at (202) 283-7698, as appropriate.

Attachment

cc: Associate Inspector General for Information Systems Programs

Management Response Draft Audit Report --
The Service Center Mainframe Consolidation Project Has Made Significant
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Recommendation #1

We recommend that before consolidating any additional service centers to computing centers, IS management should:

Ensure all critical operational and technical aspects of consolidation at computing centers and service centers (including Kansas City Service Center) by:

a. Standardizing (e.g., procedure, methodologies, naming conversions, etc.),
b. Thoroughly testing (end-to-end),
c. Documenting appropriately, and
d. Conducting employee training.

Standardization, testing, documentation, and employee training on all critical operational and technical aspects of consolidation should include all known combinations of system-to-system and site-to-site movements of raw and processed electronic data. Both consolidated and service center environments should be included, and final results should be covered regardless of the internal or external distribution path and the printed or electronic output format.

Assessment of Cause for Recommendation #1a

Standardization – in the original plan for consolidation, we assumed the transition to the computing centers would require little change to service center internal operating procedures.

This assumption failed to consider several aspects of current service center operations.

a. Introduction of new technologies causes inherent change.
b. Service centers Information Systems (IS) processes and procedures are not standardized due to local IS requirements, as well as differences due to business preferences and requirements.
c. Service centers do not have a published Internal Revenue Manual (IRM) that describes individual service center operations and the specifics of local processing procedures.

This lack of standardization affected consolidation, which caused significant problems during the transition and complicated the recovery and catch-up when the Tennessee Computing Center (TCC) could not meet the planned transition schedule.

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Corrective Action #1a

IS created a task force co-chaired by the Director of National Operations and Systems Development to focus on standardization issues on November 2, 1998. The task force is comprised of representatives from all IS stakeholder organizations. This task force is chartered to identify application and transmittal Configuration Management issues, data exchange and print issues, Executive Command Language/Job Control Language (ECL/JCL) changes (standardization), as well as other operational issues. The task force charter also includes providing documentation.

The task force formed two integrated process teams (IPTs). The first group focused on the remaining print issues, and reviewed the current operational procedures at both the KCSC and the TCC. The second group focused on application changes, data exchange, ECL/JCL issues, and documentation. The groups identified issues and categorized subsequent actions into three priority levels: short-term, interim, and long-term.

The task force[M1] assessed the remaining open print problems at the KCSC on November 19-22, 1998 and recommended 28 action items to the Martinsburg Computing Center (MCC) and the Brookhaven Service Center (BSC). These findings were shared with both organizations prior to migration. All action items are being coordinated with the responsible organizations and incorporated into a plan, with specific target dates for resolution. The Service Center Mainframe Consolidation (SCMC) Project Management Office (PMO) is requesting that each area, where applicable, provide an action plan or work breakdown structure (WBS) with milestones that will then be tracked and measured.

The Assistant Commissioner, National Operations will incorporate their recommended standards resulting from the above task groups into the SCMC Concept of Operations.

Implementation Date for Corrective Action #1a

Completed: _____   Proposed: <u>January 1, 2000</u>
                                                                Incorporate issues into a plan with specific
                                                                target dates for resolution. Incorporate
                                                                recommended standards into the SCMC
                                                                Concept of Operations.

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Responsible Official for Corrective Action #1a

Chief Information Officer IS
Assistant Commissioner for IS National Operations IS:O

Assessment of Cause for Recommendation #1b

End-to End testing – The testing in preparation for the Kansas City Service Center (KCSC) cut-over was done primarily to validate the functional and performance characteristics of the consolidated technologies. These tests were designed to verify that the legacy tax processing applications would run in the consolidated computing center environment. However, the tests failed to include the full suite of Tier II and external trading partner system interfaces used for the KCSC production workload after it was moved to the computing center. Because we did not thoroughly test these areas, the TCC did not detect missing elements necessary for automated tape processing within the consolidated environment. These were not identified until after the production cut-over. These problems, as well as local KCSC idiosyncrasies, caused the TCC to develop a significant backlog of jobs during the initial production period. Once the backlog of jobs extended beyond a 24-hour period, it caused further delays within the automated system management tools, which required a substantial amount of manual operations until the backlog was reduced. This complicated the process and extended the time frame for completing the work. If we had conducted more comprehensive end-to-end testing prior to the cut-over, some of these problems could have been avoided.

Corrective Action #1b

End-to-End Testing – Subsequent migrations will incorporate the test strategy used by the MCC for the BSC migration (i.e., perform several iterations of daily, weekly, and post weekly processing using converted ECL that will be used for production). In addition, the testing will include validation of print files, Tier II files, and external trading partner files.

Implementation Date for Corrective Action #1b

Completed: _____   Proposed: December 1,1999
                                       Incorporate the test strategy used by the
                                       MCC for the BSC migration into subsequent
                                       migrations.

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Responsible Official for Corrective Action #1b

Chief Information Officer IS
Assistant Commissioner for IS National Operations IS:O

Assessment of Cause for Recommendation #1c

Adequate documentation – We underestimated the work required to develop and implement the automation for managing a second service center at the TCC. With the limited resources at the TCC and KCSC, there was insufficient time to adequately document all processes and procedures prior to consolidation.

Corrective Action #1c

The IS task force is addressing documentation under Corrective Action #1a. The task force will assign specific target dates to action items ensuring that proper documentation is completed prior to future migrations.

Implementation Date for Corrective Action #1c

Completed: _____   Proposed: <u>January 1, 2000</u>
                                        Documentation is being addressed under
                                        Corrective Action #1a. Assign specific
                                        target dates to ensure proper documentation
                                        is completed prior to future migrations.

Responsible Official for Corrective Action #1c

Chief Information Officer   IS
Assistant Commissioner for IS National Operations IS:O

Assessment of Cause for Recommendation #1d

Employee training – A total of $1.3 million was spent on training; however, the training was not reinforced by operational testing of new standard operating procedures. Also, the training highlighted individual shortcomings because printer and tape peripherals were functioning as if in a legacy environment.

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Corrective Action #1d

The SCMC Program Management Office (PMO) conducted additional channel extension training for BSC/MCC employees prior to migration. The TCC conducted refresher training on the automated systems management tools after the KCSC migration. National Operations and the MCC personnel conducted training on transfer and print files at the BSC prior to the BSC migration. National Operations personnel were also on site during the BSC migration to address any operations issues occurring during migration. Specific training needs for the computing centers have been identified in the issues database. The SCMC PMO is currently working with the TCC, MCC, and Corporate Education to develop a timetable for delivery. The TCC has identified training needs for contractors and will provide it on an individual basis. The MCC personnel received on-the-job-training (OJT) in the consolidated environment at the TCC. In addition, the BSC staff who helped during migration will provide OJT for the MCC employees on the BSC processing.

Implementation Date for Corrective Action #1d

Completed: _____   Proposed: January 1, 2000
                                                                   Develop a timetable for delivery of identified
                                                                   training requirements

Responsible Official for Corrective Action #1d

Chief Information Officer IS
Assistant Commissioner for IS National Operations IS:O

Monitoring Plan for Corrective Actions #1a - #1d

Corrective Action #1a: The Program Management Office (PMO) has expanded the WBS to track business and technical activities, milestones, and dates related to each cut-over. The PMO's Issues/Risks Database tracks all activities requiring management oversight. All items are assigned an Action Officer (AO) who provides updates to the database until the items are resolved. The Risk Oversight Committee (ROC), which manages the mitigation and resolution of these activities, meets on a weekly basis. This centralized approach provides the PMO and IS stakeholders with accurate and timely information in sufficient detail to track progress and make informed decisions.

Additional status and management decisions are incorporated into the Issues/Risks Database through input from the biweekly SCMC Executive Steering Committee and the monthly Combined Management Program (CMP) Executive Steering Committee.

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Decisions and/or status updates are also input to the database through the collection of minutes, trip reports, staff meetings and conference calls. The PMO has assigned a representative to each of the numerous groups, Integrated Process Teams, and committees to ensure that accurate and timely information is available for the database.

Corrective Action #1b: IS established a Test Plan Working Group (TPWG) to identify test processes and procedures based on industry best practices and lessons learned from the previous service center migrations. The TPWG established a robust testing environment to ensure the successful migration of the remaining service centers into the consolidated environment. This testing environment was based, in part, on the MCC test strategy used for the migration of the BSC. The TPWG has implemented a three-iteration test process. This process is documented in the revised SCMC Test Plan and ensures that end-to-end testing requirements are thoroughly addressed. The Test Plan has detailed these three iterations into an Operational Readiness Test (ORT) phase, an Operational Readiness Demonstration (ORD) phase, and the testing criteria that must be satisfied during the move.

The thirteen-week schedule, detailing the required activities from pre-migration through post-migration, has incorporated these three testing phases. This schedule also includes those prerequisite activities that IS identified as critical to success of the migration of the Andover and Cincinnati Service Centers.

Unisys is developing test scripts and test scenarios, which are reviewed by the TPWG, for ANSC and CSC to ensure that unique and/or site specific testing criteria are identified and incorporated into the overall test approach. These scripts and scenarios are attached as Appendices to the revised SCMC Test Plan. All subsequent service center migrations will follow this process.

Corrective Action #1c: The Task Force, which was divided into various working groups responsible for identifying and documenting computing center and service center standards, Automated Operations/Tools, and staffing issues, has completed those activities identified as prerequisites for the next migration. Standards have been incorporated into the Service Level Agreements (SLAs) and the Information Processing Activities Guide (IPAG), formerly known as the SCMC Concept of Operations.

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Corrective Action #1d: IRS Corporate Education is revising the training plan based on input from the service centers and computing centers. The SCMC PMO routinely monitors this training schedule, which is included in the thirteen-week schedule and the PMO WBS. This revised training supplements the type and quantity of classes outlined in the initial contract. In addition, service center and computing center personnel are working to ensure the appropriate knowledge transfer takes place.

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Recommendation #2

We recommend that before consolidating any additional service centers to computing centers, IS management should:

Ensure that critical staffing risks are reduced.

Assessment of Cause

Management relied on the voluntary movement of skilled personnel from the service centers to the computing centers to fill needed vacancies at the computing centers. Even with incentives, such as relocation bonuses and moving expenses, there were not enough volunteers to adequately staff the computing centers. In addition, displaced employees believed there would be no negative impact on their jobs at their present location or their current grade and pay if they did not volunteer to move. This belief contributed to the staffing shortage.

Corrective Actions #2

National Operations, along with the TCC, is developing a detailed plan to address staffing shortages. This plan includes:

- Additional recruiting
- Temporary staffing
- Intern Program
- Relocation bonuses

Additional recruiting is planned to attract displaced personnel from Department of Defense (DOD) and Defense Information Systems Agency (DISA) sites. The TCC also re-announced vacancies on October 7, 1998, on USA Jobs, along with internal announcements on September 28, 1998, for computer systems analysts and data base administrators for remote support. The MCC anticipates meeting hiring needs through external and internal announcements.

The SCMC PMO obtained tentative agreement from the National Treasury Employees Union (NTEU) on October 19, 1998, to explore temporary staffing for the TCC using temporary agencies. The Assistant Commissioner for National Operations has prepared a draft Statement of Work (SOW) defining staffing requirements for third party temporary staffing for TCC. In addition, a memorandum to the NTEU outlining the staffing proposal has been prepared and forwarded.

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We are implementing a national "intern" training program to address the shortage of critical technical skills in IS with emphasis on supporting computing and service centers. This program will also provide career enhancement opportunities for employees throughout the Service.

The Commissioner signed a memorandum on June 30, 1999, to expand the payment of relocation bonuses to additional job categories at the computing centers. This action will remain in effect until completion of the SCMC effort.

IRS management did not approve a memorandum to provide retention bonuses to employees in key critical positions at the TCC because internal data did not support it.

Implementation Dates for Corrective Action #2

Completed: June 30, 1999   Proposed: _____
Implemented outlined activities to
reduce staffing risks.

Responsible Official for Corrective Action #2

Chief Information Officer IS
Assistant Commissioner for IS National Operations IS:O

Monitoring Plan for Corrective Action # 2

Recruitment efforts for both TCC and MCC are on going. They include regular internal and external vacancy announcements, job fairs, local advertising, and payment of incentives including moving expenses and relocation/recruitment bonuses.

Several groups report on recruiting efforts. The PMO Risk Oversight Committee tracks recruitment efforts weekly. The SCMC PMO provides monthly reports to the Commissioner, Treasury, and OMB; and Quarterly reports to Congressional Oversight Committees.   IS conducts monthly briefings with national NTEU that include detailed information on staffing at the two computing centers.

In January 1999, IS awarded a contract to provide 70 contractors to augment staffing at TCC. As of April 27, 1999, all contractor slots were filled. We will continue to augment staff until TCC is adequately staffed with qualified and trained permanent employees.

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IS established A Technical Intern Program (TIP) at the Tennessee Computing Center (TCC) to develop career employees at lower grade levels into higher graded technical positions within TCC using career "ladder" positions. The TIP will follow existing Internal Revenue Manual (IRM) guidelines and Office of Personnel Management (OPM) personnel qualifications for all positions. A curriculum of core technical training courses has been established. As of July 27, 1999, ten TIP positions were announced.

The TIP will remain in effect until TCC is fully staffed with attrition levels of 5% or less. The TCC TIP will serve as the pilot for a national program.

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Recommendation #3

IRS management should ensure that all delivery orders are defined by June 1999.

a. The SCMC Project Office should validate the inventory of goods and services ordered (including validating accuracy, quantity, and delivery schedule and sites).
b. The Procurement Division should validate the goods and services ordered for pricing accuracy.

Assessment of Cause for Recommendation #3a

In 1997, after IRS accepted Unisys' proposals for Mainframe Consolidation, the computing centers received a rapid and continuous delivery of extensive and complex systems (over 5,000 separate Contract Line Items). The IRS did not have enough staff to monitor, track, and account for these deliveries and installations. Therefore, the only way to accurately document and account for all equipment and software was to conduct a physical inventory. Although the Contractor had submitted extensive Ready-for-Use (RFU) documentation, inconsistencies in the use of serial numbers and other omissions made it impossible to account for receipt of equipment and software using the RFU data alone.   In addition, the delivered systems and components were, in some cases, integrated with other pre-existing components making it difficult to uniquely identify components delivered under specific delivery orders.

Corrective Action #3a

In January 1999, the SCMC PMO Contracting Officer's Technical Representative (COTR) Group completed the first phase of the delivery order validation/reconciliation process. The COTR Group compared what had been ordered with delivery orders that had been proposed by Unisys, and reached an agreement with Unisys on the content of the delivery orders. Negotiated prices were then applied to the delivery orders.

In March 1999, the SCMC PMO COTR Group began a physical inventory of all equipment delivered to, and installed at, the two computing centers. This inventory was completed in April 1999.

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The results of the inventory are now being compared with the Contractor's records in a joint effort to reconcile all delivery orders in terms of the quantity and RFU date for each item actually delivered.

Implementation Date for Corrective Action #3a

Completed: _____   Proposed: <u>October 1, 1999</u>
                                        Complete reconciliation of the physical
                                        inventory and contractors records of delivery
                                        orders.

Responsible Official for Corrective Action #3a

Chief Information Officer IS
Assistant Commissioner for IS National Operations IS:O

Monitoring Plan for Corrective Actions #3a

The SCMC PMO COTR Group is meeting with the Contractor weekly to track the progress of inventory reconciliation. The final outcome of inventory reconciliation will be an agreement with the Contractor on the price[M2] of each delivery order. The price[M3] of each delivery order will then be compared with the amount paid to date to identify overpayments/underpayments. A financial settlement will then be reached with Unisys by applying overpayments/underpayments across delivery orders or to vouchers, as appropriate. The final financial settlement will follow inventory reconciliation.

Assessment of Cause for Recommendation #3b

We began the SCMC on June 30, 1997, with a delivery order containing estimated contract line item numbers (CLINs) and quantities, and priced with the contractor's proposed unit prices. Delivery orders in FY 1997 and FY 1998 were issued in the same manner. In November, the contractor submitted an acceptable price proposal in response to initial project requirements, however, subsequent project changes delayed the price negotiations. Procurement negotiated unit prices for targeted CLIN's to support the baseline requirements and added them to the contract in December 1998. By January 1999, Procurement had modified all of the applicable delivery orders to reflect these negotiated prices. The modifications resulted in a total de-obligation of approximately $19 million. Procurement is working with the Contracting Officer's Technical Representatives (COTRs) to finish reconciling the remaining orders.

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Corrective Action #3b

Procurement will complete the validation of pricing for goods and services received.

Implementation Dates for Corrective Action #3b

Completed: _____   Proposed: January 1, 2000
                                                            Procurement will complete the validation of
                                                            pricing for goods and services received.

Responsible Official for Corrective Action #3b

Assistant Commissioner (Procurement)   M:P

Monitoring Plan for Corrective Action #3b

Results Indicator: The SCMC PMO COTR Group will complete the reconciliation
process by the implementation date of January 1, 2000.

Validation Process: The contracting officer and the Chief of the Tax Processing
Systems Branch will provide the Director of the Office of Tax Systems Acquisition with
a monthly briefing on the progress of the reconciliation.

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Recommendation #4

IRS management should ensure that proper procedures are followed.

a. The SCMC Project Office should establish full-time Government Task Managers (GTMs) and support staff on-site to monitor and verify deliveries, hours worked by the contractor, and travel taken by the contractor.
b. The procurement Division should ensure that the SCMC Project Office and contractor know who is authorized to direct the contractor to perform work.

Assessment of Cause for Recommendation #4a

The rapid implementation of Mainframe Consolidation resulted in the introduction of new systems at the computing centers and migration of functions from the service centers to the computing centers. To achieve this, extensive contractor support was sent to the computing centers and other sites where activity was taking place. The Consolidation involved frequent contractor travel to multiple sites, and the IRS did not have enough staff to monitor and track the hours worked and support provided by the contractors.

Corrective Action #4a

The SCMC Project Office has announced vacancies for positions at the computing centers that will include GTM responsibilities. Within 30 days following the establishment of these positions, the GTMs will be formally cited in the Contract and briefed on their responsibilities as GTMs. The COTRs will monitor GTM activities to ensure compliance with requirements.

Implementation Dates for Corrective Action #4a

Completed:_____   Proposed: January 1, 2000
                                                        Establish full time GTMs.

Responsible Official for Corrective Action #4a

Chief Information Officer IS
Assistant Commissioner for IS National Operations IS:O

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Corrective Actions Monitoring Plan #4a

The COTRs will monitor GTM activities to ensure that contractor hours worked are tracked, and to validate work performed for invoiced services.

Assessment of Cause for Recommendation #4b

The contractor delivered products and services which were ordered by project staff who were not duly authorized contracting officers.

Corrective Action #4b

The contracting officer briefed both the IRS and contractor SCMC project staffs on proper procurement procedures, and made clear to all involved that only the contracting officer is authorized to make commitments for the Government.

Implementation Date for Corrective Action #4b

Completed: <u>December 31, 1998</u>   Proposed: _____
The contracting officer briefed
both the IRS and contractor SCMC
project staffs on proper
procurement procedures and
made clear to all involved that only
the contracting officer is
authorized to make commitments
for the Government.

Responsible Official for Corrective Action #4b

 Assistant Commissioner (Procurement) M:P

Corrective Action Monitoring Plan #4b

Results Indicator: Success will be achieved when there are no further unauthorized procurements.

Validation Process: The Office of Procurement Policy will notify the contracting officer if requests are received to ratify unauthorized procurements submitted for the SCMC. The contracting officer will bring any such requests to the immediate attention of the Assistant Commissioner (Procurement).

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Recommendation #5

The Chief Information Office (CIO) should ensure that all consolidation costs, whether incurred at the Project Office or field levels, are accurately budgeted, captured, and reported by:

a. Developing a comprehensive IRS policy for preparing budgets for automation projects.
b. Ensuring the SCMC Project Office implements a process to ensure that all employees conducting SCMC related tasks use the SCMC PCAS code to properly account for costs.
c. Ensuring that information in the quarterly congressional report complies with the requirements of the congressional mandate to report expenditures and FTEs.

Assessment of Cause

Internal Audit found $1.07 million in unreported staffing costs in FY 1998 for the three sites tested. Offices were inconsistent in budgeting and charging staffing costs. A major cause of this inconsistency was the funding of staff by two different functions. The IS Division, including the Project Office, was funded by the Chief Information Officer; but IS personnel in service centers were funded by the Chief Operations Officer. Service centers were not accurately accounting for all staffing costs of SCMC. IS management documented the problem of budgeting and capturing costs, but did not take timely action to ensure that all costs were reported.

When IS began the SCMC initiative in FY 1997, they treated it as a new investment initiative. The FTE remained in the existing initiative [SO-10 – Service Center Support System (SCSS)] and the program requirements were requested under the new initiative SO-27. The Project Office did not include FTE data in congressional reports since the initiative was considered as an investment and FTE are not assigned to investment initiatives.

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Corrective Action #5a

Under the broad spectrum of Organization Modernization, coupled with the implementation of the systems modernization blueprint, the IRS Commissioner has authorized a number of initiatives that will revamp automation planning and budgeting and adopt industry best practices for future budget policy.

There are two efforts now underway to improve automation planning and budgeting:

1. The Phase IIB Organization Modernization design team is developing alternative views of customer budgets that will be required to meet organizational change. This effort will lead to a more cogent information systems budget policy in the long run.

2. Under the joint leadership of the newly created Business Systems Modernization Executive and the Director of the IRS Budget Office, with support of the Enterprise Program Management Office, a task force is developing funding policies related to the Information Technology Investment Account (ITIA) and PRIME contractor funding activities, which are unique due to the nature of the ITIA (investment only) appropriation.

Implementation Date for Corrective Action #5a

Closed: _____   Proposed: October 1, 2000
                                   Implement improved automation planning
                                   and budgeting processes.

Responsible Official for Corrective Action #5a

Chief Information Officer IS
Director, Office of Information Resources Management IS:IR

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Corrective Action # 5b

The SCMC Project has established a task team, with representatives from the SCMC Project Office and Office of Information Systems Resources Management, to develop an action plan and establish a process for monitoring all SCMC FTE resources. Efforts are underway to realign field and service center IS personnel under the CIO.   This reorganization, along with accurate time reporting, will provide the cost accountability necessary for the project.

Implementation Date for Corrective Action #5b

Closed: _____   Proposed: October 1, 2000
                                   Implement a process for monitoring all
                                   SCMC FTE resources.

Responsible Official for Corrective Action #5b

Chief Information Officer IS
Director, Office of Information Resources Management   IS:IR

Corrective Action # 5c

The SCMC received a congressional mandate to provide a quarterly report on project and budgeting progress. The SCMC will incorporate FTE expenditure data into these reports beginning in FY 2000. The process mentioned in #5b will be in place to ensure the accuracy of the data.

Implementation Date for Corrective Action #5c

Closed: _____   Proposed: October 1, 2000
                                   Incorporate FTE expenditure data into
                                   congressionally mandated reports.

Responsible Official for Corrective Action #5c

Chief Information Officer IS
Director, Office of Information Resources Management   IS:IR

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Corrective Action Monitoring Plan for #5a – 5c

In coordination with the Phase IIB Organizational Modernization design teams and the
SCMC Project Office, IS Financial Management Branch has a process in place to
monitor monthly obligations and expenditures against Spending Plan data from the
Automated Financial System (AFS). AFS data reflects the proper accounting for all
automation project costs, including SCMC PCAS costs and FTE expenditures.
Beginning in FY 2000, as FTE data becomes available from payroll posting, these
expenditures will be incorporated into the review process and the congressionally
mandated report.

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Recommendation #6

The CIO should review the reasonableness of the FY 1999 and FY 2000 SCMC budget estimates and make adjustments as appropriate.

Assessment of Cause

Internal Audit found $1.07 million in unreported staffing costs in FY 1998 for the three sites tested. Offices were inconsistent in budgeting and charging staffing costs. A major cause of this inconsistency was the funding of staff by two different functions. The IS Division, including the Project Office, was funded by the Chief Information Officer; but IS personnel in service centers were funded by the Chief Operations Officer. Service centers were not accurately accounting for all staffing costs of SCMC. IS management documented the problem of budgeting and capturing costs, but did not take timely action to ensure that all costs were reported.

When IS began the SCMC initiative in FY 1997, they treated it as a new investment initiative. The FTE remained in the existing initiative [SO-10 – Service Center Support System (SCSS)] and the program requirements were requested under the new initiative SO-27. The Project Office did not include FTE data in congressional reports since the initiative was considered as an investment and FTE are not assigned to investment initiatives.

Corrective Action #6

The CIO and the Commissioner reviewed the FY 1999 budget during execution and the FY 2000 budget in preparation for plan development, ensuring the reasonableness of the requirements for the consolidation efforts.

Implementation Date for Corrective Action #6

Closed: __July 31, 1999___   Proposed: _____
The CIO and the Commissioner reviewed the FY 1999 budget during execution and the FY 2000 budget in preparation for plan development, ensuring the reasonableness of the requirements for the consolidation efforts.

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Responsible Official for Corrective Action #6

Chief Information Officer IS
Director, Office of Information Resources Management   IS:IR

Corrective Action Monitoring Plan for #6

The CIO and Commissioner will participate in developing and reviewing the FY 2001 budget requirements to ensure the reasonableness of the requirements for the consolidation efforts.